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SUBJECT: Jordanian Government Puts a Six Billion Dollar Railway
Project on Hold

11. (SBU) Summary: The Jordanian Ministry of Transport (MOT) announced that a USD 6 billion national railway project had been placed on hold due to a lack of funding and interested bidders. Despite the hold on the national railway network, MOT officials stated that the Government of Jordan (GOJ) had decided to proceed with financing the construction of an Amman-Zarqa light railway and was conducting a feasibility study for a separate railway project between Amman and Aqaba, Jordan's only seaport. In addition to addressing domestic transportation needs, MOT believes development of a rail system is necessary for maintaining transit trade through Jordan. Similarly, the Commissioner of the Aqaba Special Economic Zone Authority said a railway connecting Aqaba to the rest of the region was essential to establishing Aqaba as a key, regional shipping hub. End Summary.

Grand Plans to Revive and Expand Jordan's Railways

12. (U) MOT announced that due to a lack of funds and the failure to attract foreign investors, a planned six billion dollar project to build a comprehensive national railway network had been placed on hold. (NOTE: Jordan currently has two working railway routes. The Hijaz railway, established in 1918, has not been conducting commercial trips since 1967 and is limited to use for tourism within Jordan and irregular trips transporting people between Jordan and Syria. The second railway line connects Aqaba to the southern potash mines. END NOTE.) The new rail project, initially announced in August 2008, would connect major Jordanian cities, including Amman, Zarqa, Irbid, Ramtha, and Shuna in the Jordan Valley. The proposed railway network would also run to the Northern Jaber border with Syria, to the Karama border with Iraq, as well as to a ferry connection to Egypt. The railway was further planned to eventually extend to Omari on the Saudi border. The overall proposal also included two sub-projects: a light railway connecting Amman and Zarqa, Jordan's two largest cities, and a railroad connecting the Aqaba seaport to Amman which would be mainly used for commercial purposes.

13. (SBU) A feasibility study conducted by MOT determined the railway project would require USD 4 billion for infrastructure, and USD 2 billion for equipment and machinery. MOT officials told EconOffs the Ministry had acquired lands along the planned routes and allocated USD 750 million, before the project stalled. The railway's future now remains uncertain as the study predicted that any delay in launching the project would result in higher future costs.

14. (SBU) MOT officials told EconOffs that the initiative to build the railway network was motivated by fuel price increases in 2008, noting that fuel for transportation makes up 37 percent of total fuel consumption in Jordan, which the GOJ hoped to cut by one-third,

saving an estimated USD 120 million annually. MOT officials added that the originally proposed railway network would eventually connect the Jordan-Iraq border with the Aqaba seaport, thus facilitating oil transport and eliminating the need to construct a pipeline, with its estimated cost of USD 500 million. In addition to easing the flow of oil, the railway was expected to enhance Jordan's position as a transit country for other commercial goods. The study warned that unless Jordan developed its railway network, it would eventually deter neighboring countries from using Jordan for the transit of goods. (NOTE: The trans-shipment of goods through Jordan to neighboring countries reached USD 1.6 billion in 2008; MOT reported 90% of transit goods went to Saudi Arabia and Iraq. END NOTE.)

GOJ to Finance Amman-Zarqa Light Railway

15. (SBU) Zuhair Hatter, MOT Chief Engineer, told EconOffs that despite putting the national railway network on hold, the GOJ decided to proceed with a light railway project between Amman and Zarqa, Jordan's largest cities. Hattar said the GOJ had opened a window for private investors to take part in the project on a Build-Operate-Transfer basis giving them thirty years exclusivity to operate the railway before transferring it to GOJ, but received no bidders. So, Hattar said, the GOJ had already started laying down basic infrastructure for the light railway, and would announce a new bid for a contractor to construct it. Hattar added that hundreds of thousands of commuters travel between Amman and Zarqa each day, thus prompting the Ministry's actions.

Making Aqaba a Regional Hub Requires a Railway

16. (SBU) Former Transport Minister Ala'a Batyneh had initiated a feasibility study for a separate railway project between Amman and Aqaba. Naeem Fakhouri, Commissioner of the Aqaba Special Economic Zone Authority (ASEZA), the governing and administrative body of the area that includes Jordan's only seaport, told EconOffs that the GOJ strategy to establish a railway connecting Aqaba to the rest of the region was essential for establishing Aqaba as a key regional shipping hub. Currently, the Aqaba Railway only serves the potash industry. To further develop Aqaba as a transit hub, MOT plans to institute new regulations aimed at easing restrictions on licensing for transportation companies and allowing the creation of joint sea and land transportation companies.

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